

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201445022**  
Release Date: 11/7/2014  
Date: **AUGUST 13, 2014**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

X=  
Y=

Dear :

You asked for advance approval of your educational loan procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational loans. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational loans meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates that you will operate an educational loan program called X.

Your purpose is to engages in charitable activities by enhancing access to higher education. Specifically, you will provide interest free loans to students at the Y who meet the criteria set forth in the trust agreement.

The number of loans that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed.

Per your trust document, no interest is to be charged on any loan made from the fund. You will determine the duration and method of repayment and the extension, postponement or cancellation of any loan.

The loan is publicized to students by Y, whose Financial Aid Office makes applications available to eligible students.

You maintain information and documentation of the loan recipients, such as; case histories including names, addresses, purposes of awards, amount of each loan, manner of selection, and relationship (if any) to officers, trustees, or donors of funds. You maintain such information and documentation until the applicable statute of limitations period expires.

Students who are or will be admitted or enrolled in Y who are acquiring a medical education which will culminate in the degree of Doctor of Medicine, or any related or advance degree are eligible to apply.

Semiannually, you advise the Y of the amount available for loans. You review the applications and select students who demonstrate that financial assistance is necessary to enable them to acquire, complete or continue their medical education and who do not have access to or means of acquiring funds for that purpose. All loans are awarded on an objective and non-discriminatory basis. No loans are awarded to any disqualified person as defined in Code Section 4946.

The amount of each loan is to be determined by you based on available.

If the student continues to provide evidence of the qualifications and a financial need, and you determine the student is worthy and in need of assistance, you may continue financial assistance to any student by additional or continuing loans.

You pay the loan proceeds directly to Y for the benefit of the recipient. You provide a letter to the university specifying that the university's acceptance of the funds constitutes the university's agreement to (i) refund any unused portion of the loan if the recipient fails to meet any term or condition of the loan; and (ii) notify the trustee if the loan recipient fails to meet any term or condition of the loan. If the university will not agree to such terms, you will obtain the needed reports and grade transcripts from the loan recipient.

The trust document names you as members of selection committee.

You will investigate diversions of funds from their intended purposes and take all reasonable and appropriate steps to recover diverted funds.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:

- A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
- A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
- To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Long-term, low-interest loans that private foundations make for educational purposes can be considered grants under Code section 4945(g)(3) and Revenue Ruling 77-434, 1977 2 C.B. 420.

**Other conditions that apply to this determination**

- This determination covers only the loan program described above. This approval will apply to succeeding loan programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make loans to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).

- You should keep adequate records and case histories so that you can substantiate your loan distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations